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February 13, 2017

VIA ECFS

Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

Re: *Notice of ex parte presentations - Connect America Fund Phase II
Competitive Bidding (WC Docket No. 10-90)*

Dear Ms. Dortch:

On February 9, 2017, Hughes Network Systems met separately with Jay Schwarz of the Office of Chairman Ajit Pai; Claude Aiken of the Office of Commissioner Mignon Clyburn; Amy Bender of the Office of Commissioner Michael O'Rielly; and, from the Wireline Competition Bureau, Dana Zelman, Ryan Palmer, Alexander Minard, Katie King, and Heidi Lankau. In the meetings, Hughes's presentation followed the attached talking points, which were distributed to the attendees.

Sincerely,

/s/ L. Charles Keller
L. Charles Keller

cc: Jay Schwarz
Claude Aiken
Amy Bender
Dana Zelman
Ryan Palmer
Alexander Minard
Katie King
Heidi Lankau



Hughes Network Systems
Connect America Fund Phase II
February 2017

- The CAF Phase II auction should prioritize broad participation and bid evaluation criteria that make broadband available as widely as possible in rural areas.
 - In order to be “consistent with the objectives of the Connect America Fund,” the CAF Phase II auction should allocate support in a way “that is technology-neutral and that balances the objectives of maximizing the number of consumers that will be served with the value of higher speeds, higher usage allowances, and lower latency.” NY State CAF Order ¶ 42.
 - Government support for broadband deployment “should be done in a way that does not harm competition in the marketplace, prevents bureaucrats from picking winners and losers, is technology agnostic.” “At its core, the Commission’s high-cost program is designed to limit any subsidy provided to broadband companies to only what is absolutely needed to promote access.” O’Rielly Broadband Infrastructure Blog (2/1/17).
 - “[W]e aim here to maximize the broadband bang we get for our universal service buck by establishing a flexible weighting system that should incentivize carriers to deploy faster service to rural America at the lowest possible price to the taxpayer.... I would have preferred to give bidders even more flexibility and incentive to offer the very best service possible to rural America.” Pai Statement, FCC 16-64.
 - “I worry, however, that the Commission may ultimately adopt weights that disproportionately favor certain technologies and place too high a reward on premium offerings.... At the end of the day, if the weighting skews the results such that a few communities receive Gigabit service, but many more have no access at all, then the auction will have failed to deliver on the promise of universal service.” O’Rielly Statement, FCC 16-64.
- The record supports a bid-ranking system that maximizes participation and breadth of broadband coverage.
 - Most commenters (including ITTA, Verizon, USTelecom, and Rural Wireless Association) agreed that weighting per tier should be modest (see attached).
 - Only comments advocating for significant weighting for gigabit tier were from fiber providers seeking to advantage their technology despite its inferior cost-effectiveness.
 - Weighting for latency also should be modest, taking into account the safeguards built into the framework.
 - Hughes also favors a first step in the weighting process to consider how much funding is available to weight bids, to allow the FCC to determine whether sufficient support is available to fund bids at the baseline service tier to all eligible locations for which bids were received. If not, the budget does not support weighting bids beyond the actual bid levels.
 - Hughes also supports a Tribal bidding credit of at least 10 percent to bids to provide service in unserved Tribal lands.
- EchoStar XIX successfully launched on December 16, 2016. Expected to enter service in first half of 2017.
 - Speed capacity of over 150 Gbps (over 130 Gbps forward capacity).
 - Full CONUS coverage.

ATTACHMENT

Record Favors Maximizing Participation and Deployment

Hughes's proposal for bid weighting (within the current speed tier framework):

Performance Tier	Speed	Usage Allowance	Weight
Minimum	≥ 10/1 Mbps	≥150 GB	0 (at bid amount)
Baseline	≥25/3 Mbps	≥150 GB or U.S. median, whichever is higher	-10% of bid amount
Above Baseline	≥100/20 Mbps	Unlimited	-20% of bid amount
Gigabit	≥1 Gbps/500 Mbps	Unlimited	-30% of bid amount

Latency	Requirement	Weighting
Low Latency	≤ 100 ms	-10% of bid amount
High Latency	≤ 750 ms & MOS of ≥ 4	0 (at bid amount)

Other commenters supported a similar approach:

- ITAA recognized the need to not differentiate significantly between 1 Gig and lower speeds, but urged the FCC to adopt an approach that maximizes broadband deployment in the most efficient manner.
- USTelecom proposed a similar scheme.

Performance Tier	Speed	Usage Allowance	Scoring Criteria
Minimum	10/1 Mbps	≥ 150 GB	0 Points
Baseline	25/3 Mbps	≥ 150 GB or U.S. median, whichever is higher.	10 Points
Above Baseline	100/20 Mbps	Unlimited	20 Points
Gigabit	Gig/500 Mbps	Unlimited	25 Points

- Verizon urged the FCC to set the weights with care so as to maximize the number of homes and businesses that obtain at least the baseline level of broadband from the auction. In order to maximize the number of locations served, while still recognizing the additional capabilities offered by the higher tiers, the Commission should set the weight for the baseline tier in the range of 10 percent; the weight for the above-baseline tier 10 percent above the weight for the baseline tier; and the weight for the gigabit tier 5 percent above the weight for the above-baseline tier.
 - The Rural Wireless Association supported a scheme in which the Commission assigns no weight assigned to bids committing to the “Minimum” tier; incrementally increasing weight assigned to bids committing to the “Baseline” and “Above Baseline” tiers; and no weight assigned to bids committing to the “Gigabit” tier.